COUNTY OF PLACER

ANDREW C. SISK, CPA
Auditor-Controller
E-mail: asisk@placer.ca.gov

NICOLE C. HOWARD, CPA
Assistant Auditor-Controller
E-mail: nhoward@placer.ca.gov

OFFICE OF
AUDITOR-CONTROLLER

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Mr. Jarrett Thiessen, Chief Information Officer
Department of Information Technology
2986 Richardson Drive
Auburn, CA 95603

Re: Telecommunications Division Internal Service Fund Review

Dear Mr. Thiessen:

The Internal Audit Division of the Auditor-Controller's Office recently performed a review of the Telecommunications Services Division (Division), a division of the Department of Information Technology (Department) for the period July 1, 2017 through June 30, 2018. The objectives of our review were to obtain an understanding of the Division's accounting for its activities in an internal service fund and the methodology for charging other departments and agencies for services provided; assess control risks; determine the reasonableness of the rates being charged for services and whether they are accurately being charged; determine that the Division is maintaining appropriate reserves for operations and capital replacement; and make recommendations for improvement. Our observations and recommendations are detailed in this report.

We reviewed records, documents, policies, procedures and various guidelines. We interviewed staff at the Division and Department and spoke with other County departmental staff, as necessary. As a result of our review, we noted areas where internal controls could be strengthened and operating policies and procedures could be improved. Our summary of observations and recommendations is as follows.

Summary of Observations and Recommendations

Separate Operating Reserves

Based on our review, we noted the Division maintains one operating reserve and that excess revenues from one program covered some of the costs of another program. Per the California State Controller's Office (SCO) Handbook of Cost Plan Procedures for California Counties, "For

those funds that use multiple billing rates, such as Information Technology ISFs, a separate net asset and working capital reserve calculation may be required for each billing rate or service. An overall/average ISF working capital reserve may not be appropriate because excess charges may occur in one billed service but undercharges may occur in other billed services. In addition, various users do not use each/all billed services to the same extent."

We recommend the Division establish separate operating reserves for each budgetary program. This will allow the Division to separately maintain each reserve with resources received by the services of each program and expenses incurred by the activity to provide services for each program, including profit and/or loss.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation to separate operating reserves for each budgetary program and will complete the necessary procedures to accomplish this task.

Monthly Department Billings Review

During our review, we noted there were erroneous charges made to a department which the department identified and the Division subsequently corrected. Although there was a review process in place, the process did not prevent the charges from being billed out to the department.

We recommend the Division implement an additional review process to identify new charges or adjustments to recurring charges made to department billings from month to month, and be detail reviewed to ensure accuracy, validity, and completeness of charges. This review should be performed prior to billing departments. This will assist the Division in maintaining a high-level control environment and provide reasonable assurance departments are not being over charged or under charged for services.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will work to implement a more robust review process that incorporates validation for new charges and/or adjustments to recurring charges to prevent erroneous billing.

Services Performed Without Approved Agreements

During our testing of Service Agreements, we noted that the Division was performing services for which they did not have a signed agreement. The Division is currently in the process of developing procedures to ensure service agreements are executed for all entities outside of the county, and for internal groups for which service work will continue for an extended period of time.

We recommend that the Division move forward with their planned implementation of these procedures and to not agree to perform work on any new projects, until a formal agreement has

been executed. This will ensure that there are no legal issues in the scope of work performed and the amount to be charged for services. Further, we recommend that the Division extend their implementation efforts to include existing projects, and to obtain signed service agreements for any active work being performed absent an executed agreement.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will implement the necessary business process to ensure that work is not performed for any new project until a signed Scope of Work has been obtained from the authorized user(s) within the requesting department and the Telecom Division's Management Team.

Billable and Non-Billable Time Recorded in Same OCA

During our testing of services performed under work orders, which included charges for media related work, we noted that Telecommunications analysts record their time to OCAs related to their Division Unit. However, these OCAs did not differentiate between billable time and non-billable time (i.e. administrative work) for a specific user account. This made it impossible to compare time noted in the comments section of the work order detail (Telemaster) to time recorded on employees' timesheets in ACORN. Time in Telemaster is input manually into the system by staff according to their assessment of time worked on each open work order.

We recommend that the Division implement the use of additional time reporting codes to account for the user receiving services. This will mitigate the risk of over billing or under billing to departments and present better tracking of costs for use in determining rates to be charged and the break-even point for each budgetary program.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and will work to implement the use of additional time reporting codes to more accurately trace billable and non-billable labor.

No Vehicle Usage Log for Department Assigned Vehicle

During our review of the Division's Fleet Inventory, we noted the Division does not maintain a vehicle usage log as required per the Placer County Vehicle Policy, section 3.8.2, "Departments with Assigned Vehicles must maintain a usage log showing dates, times, users, destination and purpose." A vehicle usage log will assist in strengthening internal controls over the Division's Fleet Inventory. During our review, the Division stated they will immediately implement the vehicle usage log for the department pooled vehicle. Implementation of this recommendation will be reviewed during the six month follow-up review.

We recommend the Division utilize vehicle usage logs for department assigned pool vehicles in the Division's Fleet Inventory in accordance with the Placer County Vehicle Policy, section 3.8.

Department's Response:

The Division acknowledges the Auditor-Controller's recommendation and has implemented the vehicle usage log in accordance with Placer County Vehicle Policy, section 3.8.

Outdated Employee Assigned Vehicle Listing

During our review of the Division's Fleet Inventory, we noted the Division does not maintain an updated list of employee assigned and department assigned vehicles. Maintaining an up-to-date list of assigned vehicles will assist in strengthening internal controls over the Division's Fleet Inventory.

We recommend the Division develop a process to maintain an up-to-date list of assigned vehicles, including the names of staff vehicles are assigned to, in the Division's Fleet Inventory.
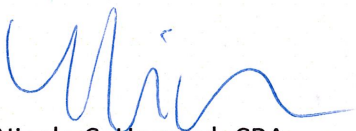
Department's Response:

The Division acknowledges the Auditor-Controller's recommendation. The division currently maintains a list of assigned vehicles and will implement a business process to ensure the fleet inventory list is updated in a timely manner.

The Department of Information Technology responses to our recommendations identified by our review are included above. We did not audit their responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Department's staff throughout the course of this review.

Respectfully,

Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Dieter Wittenberg, Information Technology Manager
        Melissa Spak, Administrative and Fiscal Operations Manager
        Placer County Audit Committee